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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
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Form 19b-4

Proposed Rule Change
by

THE OPTIONS CLEARING CORPORATION

Pursuant to Rule 19b-4 under the
Securities Exchange Act of 1934

Item 1. Text of the Proposed Rule Change

The Options Clearing Corporation ("OCC") proposes to amend its by-laws and rules as set forth below. Material proposed to be added to the by-laws and rules as currently in effect is underlined. Material proposed to be deleted therefrom is enclosed in brackets.

THE OPTIONS CLEARING CORPORATION

* * *

BY-LAWS

* * *

ARTICLE I**Definitions**

SECTION 1. Unless the context requires otherwise (or except as otherwise specified in the By-Laws), the terms defined herein shall, for all purposes of these By-Laws and Rules of the Corporation, have the meanings herein specified.

A. – B. [unchanged]

C.

(1) – (12) [unchanged]

Clearing Member

(13) The term "Clearing Member" means a person or organization that has been admitted to membership in the Corporation pursuant to the provisions of the By-Laws and Rules. The term "Stock Clearing Member" shall mean those Clearing Members approved in accordance with Article V of the By-Laws to clear transactions in stock options and BOUNDS. The terms "Treasury Securities Clearing Member," "Foreign Currency Clearing Member," "Cross-Rate Foreign Currency Clearing Member," and "Cash-Settled Foreign Currency Clearing Member," shall mean those Clearing Members approved in accordance with Article V of the By-Laws to clear transactions in Treasury securities options (excluding yield-based Treasury options), foreign currency options, cross-rate foreign currency options, and cash-settled foreign currency options, respectively. The term "Security Futures Clearing Member" shall mean a Clearing Member approved in accordance with Article V of the By-Laws to clear transactions in security

futures. The term "Commodity Futures Clearing Member" shall mean a Clearing Member approved in accordance with Article V of the By-Laws to clear transactions in commodity futures and futures options. The term "Index Clearing Member" shall mean a Clearing Member approved to clear transactions in cash-settled options. The term "Flexibly Structured Option Clearing Member" shall mean a Clearing Member approved to clear transactions in Flexibly Structured Options. The term "Non-Equity Securities Clearing Member" shall mean a Clearing Member that is one or more of the following: a Treasury Securities Clearing Member, a Foreign Currency Clearing Member, a Cross-Rate Foreign Currency Clearing Member, a Cash-Settled Foreign Currency Clearing Member, an Index Clearing Member. The term "Domestic Clearing Member" means any Clearing Member other than a "Non-U.S. Clearing Member" as defined in this Article I. The term "FX Index Option Clearing Member" shall mean a Clearing Member approved to clear transactions in Flexibly Structured Index Options Denominated in a Foreign Currency ("FX Index Options"). The term "Execution-Only Clearing Member" shall mean a Clearing Member approved only to act as [an Executing] a Clearing Member that transfers Exchange transactions or allocates positions to other Clearing Members, and not to carry positions in its accounts with the Corporation on a routine basis.

(14) – (34) [renumbered as (15) – (35), but otherwise unchanged]

D. – F. [unchanged]

G.

(1) [unchanged]

Given-Up Clearing Member

(2) The term "Given-Up Clearing Member" means (i) a Clearing Member classified as a Given-Up Clearing Member in Rule 404 or (ii) a Clearing Member that has authorized a Giving-Up Clearing Member to allocate positions to its account in accordance with Rule 405.

Giving-Up Clearing Member

(3) The term "Giving-Up Clearing Member" means (i) a Clearing Member classified as a Giving-Up Clearing Member in Rule 404 or (ii) a Clearing Member that has been authorized by a Given-Up Clearing Member to allocate positions to the latter's account in accordance with Rule 405.

(2) – (3) [renumbered as (4) and (5), but otherwise unchanged]

H. – Z. [unchanged]

CHAPTER IV

Trade Reporting and Matching

Allocations

RULE 405. (a) One or more positions in cleared contracts may be allocated from a designated account of a Giving-Up Clearing Member to a designated account of a Given-Up Clearing Member without the intermediation of a give up service provider through the processes provided for in this Rule.

(b) If (i) the matching trade information submitted to the Corporation in respect of an Exchange transaction instructs that the position resulting therefrom is to be allocated from a designated account of the Giving-Up Clearing Member to a designated account of the Given-Up Clearing Member, or the Giving-Up Clearing Member has submitted an instruction to the Corporation that one or more positions are to be allocated from a designated account of the Giving-Up Clearing Member to a designated account of the Given-Up Clearing Member, and (ii) the Giving-Up Clearing Member and the Given-Up Clearing Member are parties to an allocation agreement registered with the Corporation at the time the Corporation processes the instruction, then the Corporation shall adjust the positions in the respective designated accounts of the Giving-Up and Given-Up Clearing Member in accordance with the allocation instruction. If the Giving-Up Clearing Member and the Given-Up Clearing Member are not parties to an allocation agreement registered with the Corporation, then the Corporation shall adjust the positions in the respective designated accounts of the Giving-Up and Given-Up Clearing Member in accordance with the allocation instruction only upon receipt of notice from the Given-Up Clearing Member of its affirmative acceptance of the allocation.

(c) For purposes of this Rule, Clearing Members may register their allocation agreements with the Corporation by providing such information regarding the agreement as the Corporation shall require. The registration of an allocation agreement shall be effective when both parties have supplied the required information to the Corporation. The registration of an allocation agreement shall: (i) constitute notice to the Corporation that the Giving-Up Clearing Member has been authorized by the Given-Up Clearing Member to allocate positions to an account of the Given-Up Clearing Member without further action by the Given-Up Clearing Member, and (ii) remain in effect until terminated in accordance with this Rule.

(d) The Given-Up Clearing Member shall be responsible for all settlement and other obligations in respect of each position that has been allocated to one of its accounts pursuant to a registered allocation agreement or pursuant to its acceptance of an allocation instruction. If (i) there is not a registered allocation agreement on file with the Corporation or (ii) the Given-Up Clearing Member has rejected or not provided the Corporation with notice of its affirmative acceptance of an allocation at or before the deadline prescribed by the Corporation, the

position(s) that is (are) the subject of such allocation instruction shall remain in the account of the Giving-Up Clearing Member, which shall be responsible for all settlement and other obligations in respect thereof, unless the position is transferred or adjusted pursuant to other provisions of the By-Laws and Rules.

(e) Allocation instructions may be submitted for a single position (i.e., a position in a given series established at a single contract price (in the case of futures) or premium (in the case of options) or a group of positions (i.e., positions of the same series established at different contract prices (in the case of futures) or premiums (in the case of options). If an allocation instruction is for a single position, then the allocation instruction shall identify the contracts comprising the position by quantity, series, and the contract price (in the case of futures) or the premium (in the case of options) at which such allocation is to be effected, which shall be the price or premium at which the position was established. If the allocation instruction is for a group of positions, the allocation instruction shall provide the foregoing information for each of the positions comprising the group position, provided that the contract price (in the case of futures) or premium (in the case of options) may be an average price to the extent not prohibited by Exchange rules or applicable law. The submission of an allocation instruction using an average price constitutes the Giving-Up Clearing Member's representation and warranty to the Corporation that the use of such average price is not prohibited by Exchange rules or applicable law, and the Corporation will accept such average price as the contract price (in the case of futures contracts) or premium (in the case of options) for all purposes under the By-Laws and Rules.

(f) If an allocation instruction is submitted after the date the Exchange transaction(s) resulting in the position(s) to be allocated is reported to the Corporation, the allocation will not be given effect in any Daily Position Reports and no premium, variation or margin adjustments will be made in respect of the allocated position(s) until the business day after the date on which the allocation instruction is executed by the Corporation. Notwithstanding the foregoing, the Corporation shall be entitled to require intra-day margin settlements and/or other intra-day settlements in respect of any allocated position as otherwise specified in the By-Laws and Rules.

(g) All allocation instructions (whether submitted through matching trade information or through the Corporation's systems) and acceptances shall be submitted by means and within timeframes periodically prescribed by the Corporation. Instructions and acceptances submitted through other means or outside such timeframes shall be deemed null and void and given no effect, unless the Corporation in its sole discretion exercises its authority to accept another means or extend the applicable timeframe under Rule 205(d).

(h) Clearing Members that have registered their allocation agreements with the Corporation may mutually agree to terminate such registration by delivering notice thereof to the Corporation in accordance with procedures specified by the Corporation. In addition, either Clearing Member may unilaterally terminate the registration by delivering written notice of termination to the other Clearing Member and the Corporation in accordance with procedures and timeframes prescribed by the Corporation. The Corporation shall be authorized to terminate

the registration of all allocation agreements of a suspended Clearing Member effective as of the date and time specified by the Corporation.

(i) Upon receipt of notice of the termination of registration of an allocation agreement, the Corporation shall promptly notify the affected Clearing Members of the termination. A mutually agreed upon termination of registration shall be effective when both Clearing Members to the allocation agreement notify the Corporation that they have agreed to terminate its registration. A unilateral termination of registration shall be effective at 8:00 a.m. Central Time (9:00 a.m. Eastern Time) on the business day immediately succeeding the business day on which notice of termination of registration was given to the Corporation.

(j) The Given-Up Clearing Member shall be responsible for all settlement and other obligations with respect to each position allocated to one of its accounts prior to the effective termination of the registration of an allocation agreement. After the termination of the registration of an allocation agreement, allocations may be made by the Giving-Up Clearing Member to the Given-Up Clearing Member only upon the Giving-Up Clearing Member's affirmative acceptance of such allocations as provided for in this Rule.

...Interpretations and Policies:

.01 For the convenience of Clearing Members, the Corporation may generate information to be included in an allocation instruction, including contract price or premium information which, for an allocation instruction in respect of grouped positions, may reflect a suggested average price. It shall be the duty of each Giving-Up Clearing Member to review each allocation instruction before its submission to the Corporation for processing. The submission of an allocation instruction for processing constitutes the Giving-Up Clearing Member's agreement with all terms incorporated in such instruction.

.02 No Clearing Member shall submit an allocation instruction pursuant to this Rule 405 for positions in securities options or security futures until the Securities and Exchange Commission has issued an order permitting such positions to be allocated in accordance herewith.

Item 2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors of OCC at a meeting held on December 6, 2005.

Questions regarding the proposed rule change should be addressed to Jean M. Cawley, First Vice President and Deputy General Counsel, at (312) 322-6269.

Item 3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The principal purpose of this rule change is to adopt new Rule 405, which would govern the processing of post-trade allocation instructions submitted by clearing members through a new system OCC plans to install in January, 2006. The rule change would also make conforming by-law and rule changes, including the addition of certain new definitions.

Introduction

OCC's allocation system would permit allocation of positions in securities options, security futures, commodity futures, and options on futures. In order to permit immediate use of the allocation system, when installed, for commodity contracts cleared by OCC that are subject to the exclusive jurisdiction of the CFTC, OCC is submitting this rule change for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Securities Exchange Act of 1934. However, Interpretation and Policy .02 to new Rule 405 provides that the system may not be used for securities options or security futures until the Commission has issued an approval order with respect to Rule 405. In a separate rule change, File No. SR-OCC-2005-22, OCC is proposing to adopt Rule 405 for use in allocating positions in contracts subject to the Commission's jurisdiction.¹ File No. SR-OCC-2005-22 has been filed to pursuant Section 19(b)(2) for approval by the Commission.

¹ OCC would delete Interpretation and Policy .02 in File No. SR-OCC-2005-22.

Background

OCC plans to provide clearing members with a centralized system for processing allocation or “give-up” instructions across all exchanges for which OCC provides clearing services. Allocations are post-trade instructions entered by one clearing member (i.e., an authorized “executing” or “giving-up” clearing member) that direct a transaction or position to the account of another clearing member (i.e., the “carrying” or “given-up” clearing member). OCC’s centralized system will enhance OCC’s service offerings and will provide efficiencies to clearing members.

Post-trade allocations of securities options are currently processed through OCC’s Clearing Member Trade Assignment (“CMTA”) functionality (See OCC Rule 403), which normally causes a transaction to clear into an account of the carrying clearing member automatically so long as the executing and carrying clearing members have an effective CMTA arrangement registered with OCC for the exchange submitting the matching trade information for that transaction. Once Rule 405 is approved by the Commission for purposes of allocating positions in securities options, clearing members will be able to elect either to continue to use the existing CMTA system or to use the new allocation system for securities options.

For most commodity futures cleared through OCC, post-trade allocations are currently processed through The Clearing Corporation’s (“CCorp”) “give-up” system (See OCC Rule 404), which requires the given-up clearing member to affirmatively accept a transaction. OCC’s allocation system will enable clearing members to process futures “give-ups” without going through the CCorp system.

Rule 405

New Rule 405 would govern the processing of allocation instructions and would operate as follows.

Transactions will first clear in the designated account of the giving-up clearing member. Instructions to allocate positions may be submitted either through an exchange's system for providing matching trade information to OCC or through ENCORE. In either case, if the given-up and giving-up clearing members are parties to an allocation agreement that has been registered with OCC,² OCC will automatically allocate the positions resulting from an allocation instruction to a designated account of the given-up clearing member without further action by the clearing members. If the clearing members are not parties to a registered allocation agreement, OCC will not effect the allocation instruction until the given-up clearing member gives OCC notice of its affirmative acceptance of the allocated positions. (In contrast, the CMTA system does not allow for acceptance of allocated positions without a registered CMTA agreement.) If the given-up clearing member does not give OCC notice of such acceptance by an OCC-specified deadline, the allocation instruction will not be processed, and the positions will remain in the account of the giving-up clearing member, which will remain obligated on those positions.

A given-up clearing member will be responsible for appropriately allocated positions. Given-up positions are moved to the given-up clearing member's account at the premium price (in the case of options) or contract price (in the case of futures) at which the positions were established by the executing clearing member. Positions that are allocated on an

² Unlike CMTAs, clearing members will not be required to register their allocation arrangement by exchange.

intra-day basis will not be reflected in position reports until the following business day.

However, OCC will take those positions into account in processing any intra-day settlements authorized by the by-laws and rules, including intra-day margin settlements. A given-up clearing member may enter an instruction to reverse an allocation that was accepted in error. If the given-up and giving-up clearing members are parties to a registered allocation agreement, the reversing instruction would be automatically processed. If the clearing members are not parties to a registered allocation agreement, the reversing instruction must be affirmatively accepted by the original giving-up clearing member.

Allocation instructions may be for a single position (i.e., a position in a given series established at a single price) or for a group of positions (i.e., positions in the same series established at different prices). Allocation instructions for grouped positions must be submitted via ENCORE, OCC's clearing system. For single positions, the instruction must identify the contract quantity, series and price as specified in the matching trade information. For grouped positions, the allocation instruction must provide the same information, but the price may be an average price if not prohibited under exchange rules and applicable law.³ For the convenience of clearing members, OCC's system will produce a suggested average price for grouped allocations that clearing members may adopt for purposes of processing the instruction.

Registration of allocation agreements may be terminated either by mutual agreement or unilaterally. Mutually terminated registrations will be effected immediately in

³ Average pricing is permitted under the Commodity Exchange Act in certain circumstances. In those circumstances, a clearing member may instruct OCC to use the average price in clearing and settling the trades. Clearing members have requested that OCC provide functionality that would also permit positions in securities options and security futures to be allocated at an average price. Accordingly, OCC has developed its allocation system to accommodate the use of such prices for security options and futures, provided that such use does not violate Exchange rules or applicable law.

OCC's system. Unilaterally terminated registrations will be terminated in OCC's system effective as of 8:00 a.m. (CT) the business day after the termination notice is received by OCC and the other clearing member. These are the same standards applied to terminating CMTA arrangements under OCC Rule 403. Following termination of registration of an allocation agreement, an allocated position may be allocated to a given-up clearing member only upon its affirmative acceptance thereof.

Other changes made to OCC's by-laws and rules as currently in effect reflect the adoption of Rule 405, including the addition of "Given-Up Clearing Member" and "Giving-Up Clearing Member" as defined terms in Article I, Section 1.

* * *

The proposed rule change is consistent with Section 17A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), because it ensures that positions resulting from exchange transactions are carried in the appropriate account of the clearing member which is the clearing broker for the investor for whom such transactions were executed, and thereby, promotes the prompt and accurate clearance and settlement of transactions in derivative contracts, fosters cooperation and coordination with persons engaged in the clearance and settlement of such transactions, removes impediments to and perfects a mechanism of a national system for the prompt and accurate clearance and settlement of such transactions, and, in general, protects investors and the public interest. The proposed rule change is not inconsistent with the existing rules of OCC, including any other rules proposed to be amended.

Item 4. Self-Regulatory Organization's Statement on Burden on Competition

OCC does not believe that the proposed rule change would impose any burden on competition.

Item 5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

Written comments were not and are not intended to be solicited with respect to the proposed rule change and none have been received.

Item 6. Extension of Time Period for Commission Action

OCC does not consent to an extension of the time period for Commission action on the proposed rule change.

Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Pursuant to Section 19(b)(3)(A) and Rule 19b-4(f)(4), this rule change has been filed for immediate effectiveness inasmuch as it effects a change in an existing service that does not (i) adversely affect the safeguarding of securities or funds in OCC's custody or control or for which OCC is responsible or (ii) significantly affect the respective rights or obligations of OCC or persons using the service. Commodity futures contracts for which OCC currently provides post-trade allocation services through a sub-contractor are subject to the exclusive jurisdiction of the CFTC. Accordingly, although this rule change represents a change an existing service with respect to commodity futures, that service is not otherwise within the jurisdiction of the

Commission. This rule change will not affect the safeguarding of funds or securities in OCC's possession because OCC will apply procedures and safeguards with respect to providing these services comparable to those that it applies with respect to providing other post-trade services for securities options and security futures over which the Commission has direct regulatory authority. The respective rights and obligations of OCC and Clearing Members with respect to matters within the Commission's jurisdiction will be unaffected.

Item 8. Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission

Not applicable.

Item 9. Exhibits

Exhibit 1. Completed Notice of Proposed Rule Change for publication in the Federal Register.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, The Options Clearing Corporation has caused this filing to be signed on its behalf by the undersigned hereunto duly authorized.

THE OPTIONS CLEARING CORPORATION

By: William H. Navin

**William H. Navin
Executive Vice President and
General Counsel**